



Teaming with Sandia

a

U.S. D.O.E Laboratory

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Doing Business with Sandia is REALLY VERY EASY

- **Even though Sandia is affiliated with the US Government, we do business like other commercial entities**
- **Describe the process we go through in developing a commercial business arrangement**
- **There are two components that need to be explored at the start**
 - **The companies objectives**
 - **The companies expectations (schedule, cost, and intellectual property)**
- **All discussions can be arranged under a nondisclosure agreement (NDA)**



Sandia's Business Principles

- **Continue to support our DOE mission**
- **Partner with DOD and other federal agencies to apply our capabilities and technology to their missions**
- **Partner with industry to apply our capabilities and technology to real world problems**
- **Partner with industry to enhance the economic competitiveness of the US**



Sandia's Business Principles (cont'd)

- **Care deeply about the success of the industrial partner**
- **Full cost recovery for work performed**
 - **DOE requirement for 90 day advanced payment**
- **Flavor is that of company to company, not a procurement under the FARs**



Objectives

- **Begin by describing to Sandia, your company's objectives in a business area**
- **Examples**
 - **We want to develop chem-bio sensors**
 - **We want to advance our company's technology base in remote, autonomous, vehicles**
 - **We want to penetrate new markets using revolutionary technology**
 - **We want to reduce our manufacturing costs**



Expectations

- **Describe your expectations**
- **Examples**
 - **The work should be completed in 3 years**
 - **It has the following technical features**
 - **We want the cost/total price to be no more than \$
xxx**
 - **We need the intellectual property (IP) rights
necessary to deploy solutions and products based on
the IP to/on behalf of our customers**



Using Standard Business Practices Will Move the Deal Forward

- **High quality deals have the following components agreed to by both parties**
 - **what constitutes success**
 - **technical scope**
 - **schedule and milestones**
 - **cost**
 - **identification of funding sources and amounts**



Move the Deal Forward (cont'd)

- special interim reporting requirements**
- final report expectations**
- identification of all contracts that must be in place**
 - WFO, CRADA, license**
- expectations of both parties on intellectual property rights**



Mechanisms by Which We Can Work with Commercial Firms

- **CRADA (Cooperative Research and Development Agreement)**
 - both parties play major roles in the research and development
- **Work for Others/Non-Federal Entities (WFO /NFE)**
 - Sandia performs the work according to the scope and schedule
- **User facility**
- **US Government direct funding**



Technical Scope

- **The technical scope should at least be in enough detail to:**
 - **break up the work into manageable pieces**
 - **describe each parties technical deliverables**
 - **describe the general theme on how to attack the problem**
 - **how is success to be determined**



Schedule and Milestones

- **The schedule and milestones should:**
 - describe the overall completion date
 - allow breakpoints for go/no go decisions
 - break the work up into manageable pieces
 - allow progress to be determined
 - allow for contract closeout, including specialized reports, documentation, transferring systems, intellectual property issues
 - allow for any facility modifications



Funding Sources

- **Please share with Sandia, early on, any information on “specialized funding sources”**
 - **internal company IR&D funds**
 - **special accounting issues**
 - **special calendar dates that impact funding**
 - **US Government funds targeted for special programs**
 - **contingencies based on product rollout and sales**
 - **foreign ownership**
 - **venture capital funding**
 - **barter**



Licenses

- **Sandia usually brings an extensive set of (pre-existing) background intellectual property into a business arrangement**
 - **All of the IP that Sandia may use in attacking a problem may not be known in advance**
- **Under a business arrangement, new intellectual property may be generated (foreground)**



Licenses

- **A license is used to convey the necessary rights to the foreground and background intellectual property necessary for the partner to attack a business opportunity and deliver commercial solutions to their customers**
- **Title to intellectual property developed under the arrangement can be waived to sponsor. This will be considered in the context of the entire business deal including necessary rights to pre-existing Sandia intellectual property**



Licenses

- **Commercial firm can negotiate rights, up to an exclusive license, on fair commercial terms to CRADA/NFE generated IP**
- **Depending on the business arrangement, the rights and licenses may require an up-front fee and running royalties**



Why are IP Rights Not Free?

- **Licensee is purchasing rights that are protected under patent and copyright law (the right to exclude others from manufacturing, using, or selling)**
- **The cost or protection is a real cost of doing business**
- **Royalties generated to the laboratory are reinvested in R&D and reward inventors and authors**



Embryonic or Innovative Technology Valuation

- **Embryonic or innovative IP require additional investment to commercialize**
- **Relative contributions and risk are taken into account when negotiating the ultimate value and royalties**
- **A “tool box” of techniques is used – business and commercialization plans including, sources of financing, market analysis, and pro-forma statements**



Standard Business Questions in Commercial Licensing

- **Will the technology be used internally to a company or does the company want to make a product and then sell the product**
- **What is the replacement cost (not the Sandia investment cost) of the software**
- **Does the company want (need) an exclusive license**
- **What is the stage of development for the software**
- **Does the company want sublicensing rights**



Standard Business Questions in Commercial Licensing (cont'd)

- **Will installation assistance be offered**
- **Should there be a one time fee, running royalties, or an annual usage fee**
- **What is the lifetime of the software**
- **Will updates and version upgrades be offered**

Commercial Scales of Justice for Valuing a Business Deal

- The scales can be tipped because of programmatic objectives (supplier development, economic development, strategic partnering)

